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SEVERANCE PAY PLANS IN ONTARIO
COLLECTIVE BARGAINING AGREEMENTS

DECEMBER 1976

Number 22

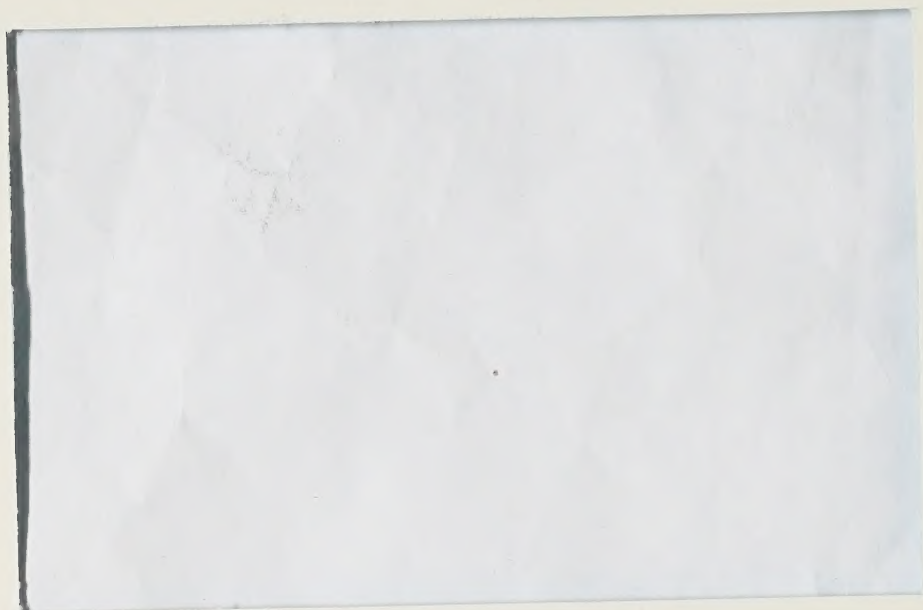


Ontario
Ministry of
Labour

Research
Branch

Toronto
Ontario





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COLLECTIVE BARGAINING AGREEMENTS

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Research Branch

Ontario Ministry of Labour

March 1977

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Minister

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FOREWORD

This paper examines the main features of severance pay plans in Ontario collective agreements.

Detailed tables on the main provisions of the plans have been prepared to provide information that will be useful in bargaining situations. For quick reference, the tables are preceded by a summary of their contents.

The information presented was drawn from an analysis of all Ontario collective agreements covering bargaining units of 200 or more employees working in industries other than construction. As of December 1976, when the analysis was prepared, there were 893 such agreements covering 758,818 employees, on file with the Collective Agreements Library of the Ministry of Labour.

This report was prepared by Beth Kendall. For further information, please call 965-6886.

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SEVERANCE PAY

Severance pay benefits are payable by an employer to a terminated employee when the employment relationship is broken or interrupted due to a variety of circumstances that are agreed upon beforehand and outlined in the individual plans. This payment is in addition to wages and entitlements to other monies owing at termination and is payable either in a lump sum at the time of termination or in instalments at given intervals of time.

Excluded from this report on severance pay are those contract provisions for monetary credits that may be owing at termination such as sick leave refunds or profit-sharing plan refunds or those payments that may be required by legislation such as pay in lieu of notice, vacation pay, or pension contribution refunds.

Prevalence of Severance Pay Plans by Industry

As Table 1 shows, of the 893 agreements studied, 236 (26 per cent), covering 48 per cent of the employees, had provisions for severance pay. Industries in which severance pay plans were more commonly found were rubber, paper, transportation equipment, transportation and federal administration. Over half (54 per cent) of the plans, covering 56 per cent of the employees, were found in these industries.

Severance pay plans were not found in education health and welfare, leather, furniture or recreational services. They were infrequent in local administration, textiles and wood products.

Prevalence of Severance Pay Plans by Union

More than 60 unions negotiated the 236 agreements with severance pay plans. However, the following five unions together accounted for 46 per cent of the severance pay plans, covering 49 per cent of the employees.

<u>Union</u>	<u>Per cent of Total Studied</u>	
	<u>Agreements</u>	<u>Employees</u>
Auto Workers	14	22
Paperworkers	9	3
Professional Institute	5	2
Public Service Alliance of Canada .	12	20
Rubber Workers	6	2

Table 2 lists all the unions that negotiated the 236 agreements containing severance pay plans.

Conditions for Granting Severance Pay

Most of the severance pay plans placed some restrictions upon the circumstances in which the terminated employee would receive severance pay. These circumstances were generally stated in the individual plans and, in most instances, the termination was in some manner initiated by the Company.

In most of the plans, severance pay was payable when the employee's work relationship was terminated through no fault of his own but for reasons that arose out of business conditions or the economy in general. Closure of a facility, lack of work and termination after extended lay-off were the most commonly listed conditions for granting severance pay to terminated employees.

Severance pay was paid when a plant, department or facility was closed in 47 per cent of the plans, especially in the food and beverage, rubber and federal administration agreements. Termination after extended lay-off (25 per cent of the plans) was found mainly in the railway agreements and in those plans negotiated by the Auto Workers' and the Rubber Workers' unions. Termination because of lack of work (45 per cent of the plans) was predominantly in the paper and federal administration plans.

Conditions for not Granting Severance Pay

Table 4 shows that some plans spelled out the conditions under which the terminated employee would be ineligible for severance pay, such as when loss of employment was due to his own behaviour and he was discharged (23 per cent of the plans), suspended (25 per cent) or left the employer voluntarily (20 per cent).

If the Company was prepared to maintain the employment relationship by re-assigning the employee to other work through recall or transfer but the employee refused these offers, then the obligation to pay severance pay ceased in 30 per cent and 28 per cent of the plans, respectively.

In some plans, when conditions over which neither the Company nor the employee had any control were responsible for the termination, then the Company was not obliged to give the employee severance pay. This condition operated in emergencies such as war or sabotage (25 per cent of the plans) or Acts of God such as fire or flood (36 per cent).

In 32 per cent of the plans, severance pay was not paid if the termination resulted from a labour dispute.

Most of the plans which specified conditions for not granting severance pay were in agreements negotiated with the Paperworkers', the Auto Workers', the Rubber Workers' and the railway unions.

Minimum Service Requirement for Severance Pay

In most of the severance pay plans, as shown in Table 5, an employee had to have worked a minimum number of months in order to be eligible for benefits if he was terminated.

In 28 per cent of the plans, the minimum service varied according to the reason for which the employee was terminated, such as in the federal administration agreements, and those with the Rubber Workers' which required two years' service for termination after extended lay-off and five years' service for termination due to retirement, disability or plant closure.

In a further 33 per cent of the plans, the minimum service required was one year. Most of the Paperworkers' and the Auto Workers' plans fell into this category. The 14 railway agreements required 2 years service.

Amount of Severance Pay

In almost all of the plans, the amount of severance pay was related to years of service. This was stated explicitly as in "one week's pay per year of service" or implicitly as in "one per cent of the employee's gross earnings since date of hire".

As Table 6 shows, the severance pay formulas may be divided basically into three categories as follows:

1. fixed payments per unit of service
2. varied payments per unit of service
3. payments varied for other factors.

Fixed Payments Per Unit of Service. In the first category were those plans that provided for fixed payments per unit of service (68 plans or 29 per cent). Forty-three of the plans increased payments by a fixed amount of time, such as 20 hours pay per year of service or one week's pay per year of service. In another 21 plans, predominantly in the paper industry, a fixed percentage formula was used. Finally, in four plans, a fixed dollar amount was given, ranging from \$30 to \$100 per year of service.

The two most common forms of fixed payments per unit of service were one week's pay for every year of service in 14 per cent of all the severance pay plans and one and one-half per cent of gross earnings in six per cent of the 236 severance pay plans.

Varied Payments Per Unit of Service. In the second category were those plans that paid an amount that varied per unit of service (76 plans or 32 per cent). In these plans, the amount of payment increased with years of service on an irregular basis or increased in steps by grouped years of service.

The two most common forms of varied payments were a number of hours pay per year of service (mostly in the Auto Workers' plans) or a number of weeks pay per year of service, both found in 11 per cent of the severance pay plans. An example of the former would be "50 hours' pay for 1 but less than 2 years' service, 70 hours' pay for 2 but less than 3 years' service, 100 hours pay for 3 but less than 4 years' service" increasing at irregular intervals up to 2,080 hours for 30 years' service.

Payments Varied for Other Factors. In the third category were those plans that paid an amount that varied for reasons other than years of service, such as age, earnings or reason for separation. The last was prevalent in the plans of the federal administration and those of the Rubber Workers that had a combination of average hourly earnings and percentage of total earnings for employees terminated as a result of extended lay-off, and a percentage formula for employees terminated because of plant closure or inability to perform their work.

Minimum Severance Pay

As shown in Table 7, the minimum benefit payable varied widely from one week's pay after three months' service, to three months' pay after five years. Forty (17 per cent) of the plans provided minimum benefits of one week's pay for which the service required ranged from 3 months to 10 years, with over half of the plans requiring one year's service.

Two-thirds of the plans paying a percentage formula (in the paper industry) provided a minimum of one and one-half per cent of gross earnings. For the majority of the Auto Workers, the minimum benefit was 50 hours basic pay after one year's service.

Eleven of the 67 plans that had different formulas depending on the reason for termination were Rubber Workers' plans, that provided a minimum payment of 50 hours' pay after 2

year's service for lay-off and a percentage formula after 5 years for plant closure or inability to perform work. A further 50 agreements in federal administration varied the number of weeks pay per year of service, depending upon whether the separation was due to the first or second lay-off, resignation, retirement or death.

Maximum Severance Pay

As Table 8 shows, in 74 (31 per cent) of the plans, there was no upper limit set to the amount of severance pay a terminated employee could receive.

In 26 of the Auto Workers' plans, the maximum payment after 30 years' service was 2,080 hours at the basic rate of pay. In the Rubber Workers' plans, the amount of the maximum payment varied from 3 to 4 per cent depending upon the reason for the termination and the age of the employee. In the 50 federal administration plans, the maximum ranged from 13 to 28 weeks' pay depending upon the reason for the separation.

Table 1

Severance Pay Plans in Ontario Collective Agreements¹ Covering
200 or More Employees, by Industry, December 1976

Industry	Total Studied		Number with Severance Pay Plans	
	Agrts	Empls	Agrts	Empls
All Industries	893	758,818	236	365,889
Manufacturing	475	304,309	135	141,303
Food, Beverages	44	20,611	18	8,969
Tobacco	3	1,423	3	1,423
Rubber, Plastics	18	9,824	14	8,721
Leather	9	3,107	-	-
Textiles	27	11,469	3	2,274
Knitting Mills	3	795	1	300
Clothing	9	9,109	2	3,282
Wood	14	3,823	1	222
Furniture, Fixtures	13	4,453	-	-
Paper	41	17,621	25	12,268
Printing, Publishing	11	6,392	4	1,194
Primary Metals	29	31,878	2	1,100
Fabricated Metals	57	20,296	11	5,530
Machinery	27	16,383	3	5,656
Transportation Equip.	58	82,730	21	66,109
Electrical Products	57	39,639	10	14,793
Non-Metallic Minerals	19	8,950	7	4,710
Petroleum, Oil	3	1,347	1	350
Chemicals	15	6,905	6	3,312
Miscellaneous Mfg.	18	7,554	3	1,090
Non-Manufacturing ¹	418	454,509	101	224,586
Forestry	12	6,177	2	1,400
Mining, Quarrying	19	25,303	5	1,802
Transportation	36	51,073	17	28,341
Storage	2	1,925	1	1,700
Communications	13	39,356	2	9,888
Electric, Gas, Water	14	19,719	4	16,049
Wholesale Trade	5	1,556	1	312
Retail Trade	17	34,832	2	3,700
Finance, Insurance, Real Estate	1	501	-	-
Education	55	27,374	-	-
Health, Welfare	100	38,096	-	-
Recreational Services	6	3,034	-	-
Management Services	9	5,199	4	1,832
Personal Services	16	7,264	1	350
Miscellaneous Services	2	530	-	-
Federal Admin.	50	89,746	50	89,746
Provincial Admin.	9	68,760	9	68,760
Local Admin.	52	34,064	3	706

1. Excludes construction industry.

Table 2

Severance Pay Provisions in Ontario Collective Agreements, Covering
200 or More Employees, by Union, December 1976

Union	Agreements	Employees
Total with provision	236	365,889
Airline Employees	1	935
Air Traffic Employees	1	495
Auto Workers	32	79,162
Bakery Workers	4	1,387
Brewery Workers	3	1,200
Carpenters	2	450
Chemical Workers (International)	5	1,892
Communications Workers of Canada	1	326
Draftsmen	1	285
Electrical Workers (I.B.E.W.)	2	1,320
Electrical Workers (I.U.E.)	1	1,533
Electrical Workers (U.E.)	3	7,723
Food Workers	4	4,043
Glass Workers	5	3,710
Grain Handlers	1	1,700
Grain Millers	1	651
Graphic Arts	1	591
Ladies Garment Workers	2	3,282
Letter Carriers	1	3,000
Locomotive Engineers	1	530
Machinists	4	2,565
Maintenance of Way Employees	1	4,343
Newspaper Guild	2	534
Office Employees	1	310
Oil Workers	2	1,916
Ontario Public Service Employees	8	64,825
Operating Engineers (C.U.O.E.)	1	297
Paperworkers (Canadian)	21	10,469
Pottery Workers	1	230
Printing Pressmen	2	599
Printing Specialties	1	248
Professional Institute	13	8,600
Public Employees (C.U.P.E.)	7	19,546
Public Service Alliance of Canada	28	73,346
Railway Clerks	3	4,065
Railway, Transport & General Workers	3	5,189
Retail, Wholesale Employees	1	201
Rubber Workers	15	8,933
Sheet Metal Workers	1	215
Signalmen	1	253
Steelworkers	8	3,891
Teamsters	4	1,199
Telegraph Workers	2	1,100
Textile Workers	3	1,197
Tobacco Workers	3	1,423
Traffic Employees	1	6,800
Transportation Union (U.T.U.)	4	6,400
Woodworkers	1	222
C.L.C. Directly Chartered	4	1,937
Independent Local Unions	13	13,528
Multi-Unions	5	7,293

Table 3

Conditions for Granting Severance Pay in Ontario Collective
Agreements Covering 200 or More Employees, December 1976

Condition	Agreements	Employees
Total with severance pay plans	236 ¹	365,889
<u>Economic</u>		
Termination except for discharge for cause	4	1,174
Automation, technological change	39	25,873
Closure of facility	112	132,306
Lack of work	164	324,043
Merger, consolidation	3	3,078
Re-organization of facility	2	2,841
Sub-contracting	3	706
Transfer of operations	10	8,609
Other	6	3,033
<u>Personal</u>		
Discharge, except for cause	1	2,500
Incompetence	2	917
Voluntary resignation	51	92,834
Other	1	297

1. Provisions are non-additive because more than one condition may be specified in an agreement.

Table 4

Conditions for not Granting Severance Pay in Ontario Collective
Agreements Covering 200 or More Employees, December 1976

Condition	Agreements	Employees
Total with severance pay plans	236 ¹	365,889
Discharge for cause	55	130,688
Discipline, suspension	60	111,010
Leave of absence	24	44,767
Recall refused	70	107,682
Transfer accepted	15	11,705
Transfer refused	65	123,195
Voluntary resignation	58	125,630
Acts of God	86	126,331
Emergency	58	94,766
Labour disputes	76	128,824
Temporary layoff	10	6,572
Other	56	49,434

1. Provisions are non-additive because more than one condition may be specified in an agreement.

Table 5

Minimum Service Requirements for Severance Pay in Ontario Collective
Agreements, Covering 200 or More Employees, December 1976

Minimum Service Requirement	Agreements	Employees
Total with severance pay plans	236	365,889
2 months	1	310
3 months	3	973
6 months	1	491
1 year	77	183,815
1½ years	2	931
2 years	43	54,719
3 years	12	5,213
4 years	3	965
5 years	16	7,450
10 years	2	1,432
Varies with reason for separation	67	102,076
Other	2	1,185
No minimum specified	7	6,329

Table 6

Severance Pay Formulas in Ontario Collective Agreements Covering
200 or More Employees, December 1976

Formula	Agreements
Total with severance pay plans	236
Uniform payment	1
Fixed payments of:	
20 hours per year of service	1
2 days per year of service	2
½ week per month of service	2
1 hour per month of service	1
1 week per 6 months	2
1 week per year of service	32
2 weeks per year of service	3
1 per cent of gross earnings	1
1½ per cent of gross earnings	14
2 per cent of gross earnings	6
\$5.00 per month of service	1
\$30.00 per month of service	1
\$50.00 per month of service	1
\$100.00 per month of service	1
Varied payments of:	
dollar amounts per year of service	17
hours per year of service	26
weeks per year of service	26
weeks pay plus dollar amount	3
months per year of service	4
Varied payments for reasons other than length of service	79
Other	12

Table 7

Minimum Severance Pay in Ontario Collective Agreements Covering 200 or More Employees, by Length of Service, December 1976

Minimum Pay	Agree- ments	Length of Service									
		Under 1 Yr.	1 Yr.	1½ Yrs.	2 Yrs.	3 Yrs.	4 Yrs.	5 Yrs.	10 Yrs.	Varies	Other
Total with severance pay plans ..	236	5	77	2	43	12	3	16	2	67	9
1 week's pay	40	3	25	-	8	-	1	-	1	1	1
2 weeks' pay	13	-	5	-	6	-	-	2	-	-	-
3 weeks' pay	9	-	-	-	-	8	-	1	-	-	-
4 weeks' pay	3	-	-	-	-	1	2	-	-	-	-
5 weeks' pay	1	-	-	-	-	-	-	1	-	-	-
10 weeks' pay	1	-	-	-	-	-	-	-	1	-	-
3 months' pay	4	-	-	-	-	-	-	4	-	-	-
Hours pay	30	-	24	-	4	1	-	-	-	-	1
Per cent of earnings	21	-	15	2	2	-	-	2	-	-	-
Dollars amount	20	-	1	-	17	-	-	1	-	-	1
Varies with reason for separation or for other reasons	71	-	-	-	1	-	-	4	-	66	-
Other	23	2	7	-	5	2	-	1	-	-	6

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